

FORECLOSURE TRENDS REPORT

2015

COMMONWEALTH OF MASSACHUSETTS
DIVISION OF BANKS

BACKGROUND

Chapter 206 of the Acts of 2007, An Act Protecting and Preserving Home Ownership (Chapter 206), was enacted to provide consumer protections for homeowners facing foreclosure.¹ The Right-to-Cure (RTC) Notice became a required pre-foreclosure notification to provide additional time for consumers to become current on their past due mortgage loan balances without incurring unrelated fees for 90 days.

Chapter 206 also requires the Division of Banks (Division) to prepare an annual report analyzing the number of RTC Notices and Foreclosure Petition filings. In August of 2010, the RTC period was extended from 90 days to 150 days under Chapter 258 of the Acts of 2010 deemed as an emergency measure for homeowners struggling to keep their homes. As of January 1, 2016, the RTC period has reverted to 90 days in accordance with sunset provisions within the statute. The statute requires demonstrated ‘good-faith’ efforts on the part of creditors to work with borrowers to develop a possible resolution before opting to foreclose.² Additionally, in August of 2012, Chapter 194 of the Acts of 2012 was signed into law affording additional protections to consumers in the foreclosure process, most notably a requirement for lenders to provide a specific notification of a borrower’s right to request a mortgage loan modification for certain types of mortgage loans and a requirement that creditors modify a loan if the cost to modify is less than the cost to foreclose.³

The Division utilizes an online repository, the Massachusetts Foreclosure Petition Database, to collect and track RTC Notices and foreclosure-related activity in the Commonwealth.⁴ The data submitted by mortgage lenders, mortgage holders, and mortgage servicers is used to analyze and study the trends of RTC Notices, Foreclosure Petitions, Foreclosure Sales, and other mortgage-related activity to produce this annual report.⁵

MASSACHUSETTS MORTGAGE & FORECLOSURE TRENDS

Over the past four years, the pace of mortgage delinquencies in Massachusetts has notably declined. There was a 45% increase from 2014 in RTC Notices issued in 2015. Overall trends show completed foreclosure sales in the Commonwealth have gradually decreased by 59% since 2012. This downward trend is also consistent with observed foreclosure activity in other states.

REPORT HIGHLIGHTS

- In 2015 there was a 45% increase in RTC Notices. However, there was a 20% reduction in foreclosure sales compared to 2014.
- Majority of the RTC Notices issued in 2015 were for mortgages originated between 2004 and 2007, making up more than 60% of all RTC Notices.
- Mortgage loans with interest rates between 4.00% and 7.99% made up 71% of the reported RTC Notices in both 2014 and 2015.
- In both 2014 and 2015, the majority of Foreclosure Petitions were filed between 100 – 399 days, or between 3.25 – 13 months, after the RTC Notice.

¹ [Acts of 2007, Chapter 206: An Act Protecting & Preserving Homeownership](#)

² [Massachusetts General Laws Chapter 244, Section 35A](#)

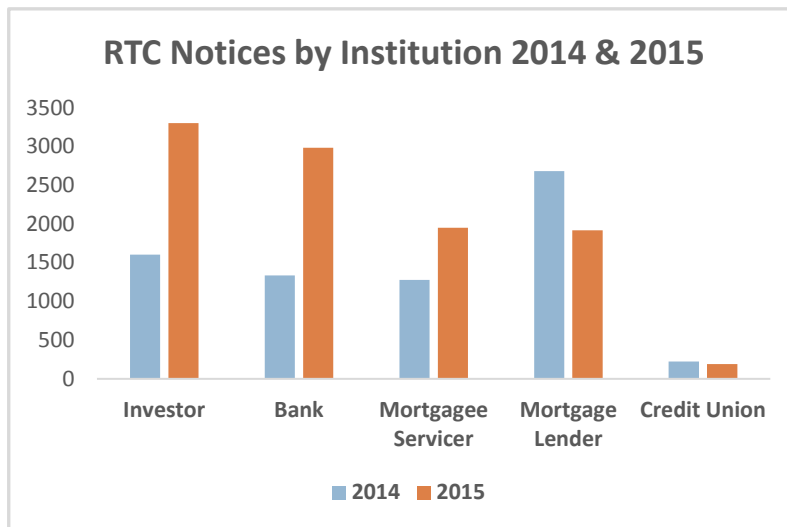
³ [Massachusetts General Laws Chapter 244, Section 35B](#)

⁴ [Massachusetts General Laws Chapter 244, Section 14A](#)

⁵ The pre-foreclosure (or RTC) data presented in this report does not include activity which has not been accelerated to the “Petition” phase of foreclosure.

DATA ANALYSIS

FIGURE 1: RTC NOTICES BY INSTITUTION



While Mortgage Lenders were the most common entity to file RTC Notices in the Commonwealth in 2014, Investors became the most common filing entity in 2015. Investors comprised a total 32% of all filers in 2015. An increase of 106% from 2014, where 23% of filers were Investors. Mortgage Lenders RTC Notice filing decreased 29% in 2015 from 2014. In 2015, Mortgage Lenders comprised a total of 18% of filers compared to 38% in 2014. The remaining RTC Notices were

issued by Banks⁶, Mortgage Servicers and Credit Unions.

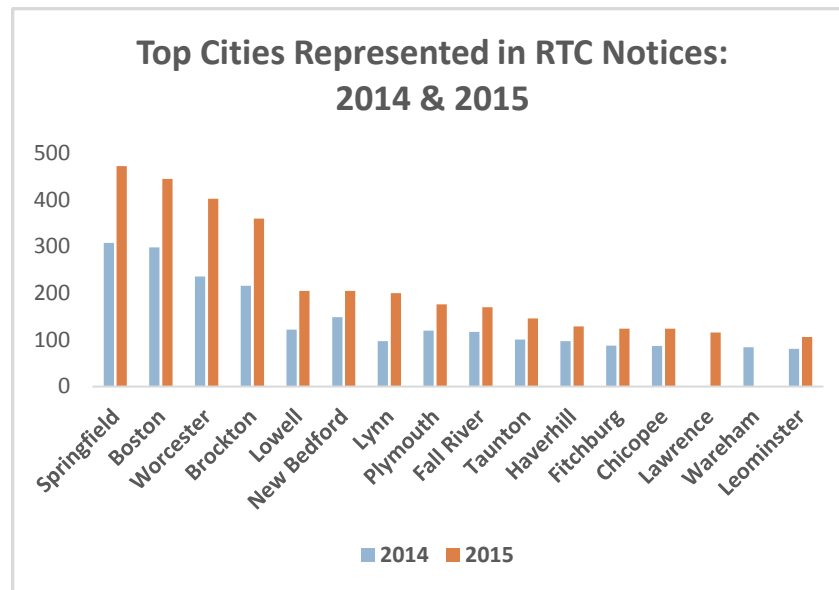
TABLE 1: RTC NOTICES BY COUNTY

County	No. of RTC Notices in 2014	% of Total Notices in 2014	No. of RTC Notices in 2015	% of Total Notices in 2015	% Change from 2014 to 2015
Worcester	1286	18.06%	1992	19.27%	55%
Middlesex	956	13.42%	1338	12.95%	40%
Plymouth	870	12.22%	1268	12.26%	46%
Bristol	785	11.02%	1111	10.75%	42%
Essex	749	10.52%	1110	10.74%	48%
Hampden	708	9.94%	1062	10.27%	50%
Norfolk	552	7.75%	772	7.47%	40%
Suffolk	409	5.74%	599	5.79%	32%
Barnstable	358	5.03%	493	4.77%	38%
Berkshire	196	2.75%	225	2.18%	15%
Hampshire	124	1.74%	199	1.92%	60%
Franklin	90	1.26%	114	1.10%	27%
Nantucket	17	0.24%	34	0.33%	100%
Dukes	22	0.31%	21	0.20%	-5%

In 2015, nearly every county saw an increase in RTC Notices in comparison to 2014. Since 2012, however, RTC Notices have experienced a significant decrease by 40% overall. Worcester, historically the most dominant county for RTC Notices, experienced a substantial 55% increase in 2015 from 1,286 RTC Notices in 2014 to 1,992 RTC Notices in 2015. The only county in 2015 with a decrease in notices was Dukes with a minimal 5% change, having 22 RTC Notices in 2014 down to 21 RTC Notices in 2015.

⁶ Banks noted include state chartered banks, federal banks, and other non-Massachusetts chartered institutions.

FIGURE 2: TOP CITIES REPRESENTED IN RTC NOTICES⁷



In both 2014 and 2015, approximately 30% of RTC Notices were concentrated in fifteen cities. Figure 2 shows Springfield and Boston⁸ remained the top two cities in both years, experiencing 35% and 33% increase from 2014. Furthermore, Wareham dropped from the 14th highest city represented in RTC Notices in 2014 to the 26th ranked city in 2015, experiencing a 10% decrease in RTC Notices filed. Lawrence moved from the 20th ranked city to the 14th, earning a place on the top cities

represented in RTC Notices list; a 71% increase from 2014 to 2015.

TABLE 2: RTC NOTICES BY MORTGAGE ORIGINATION YEAR

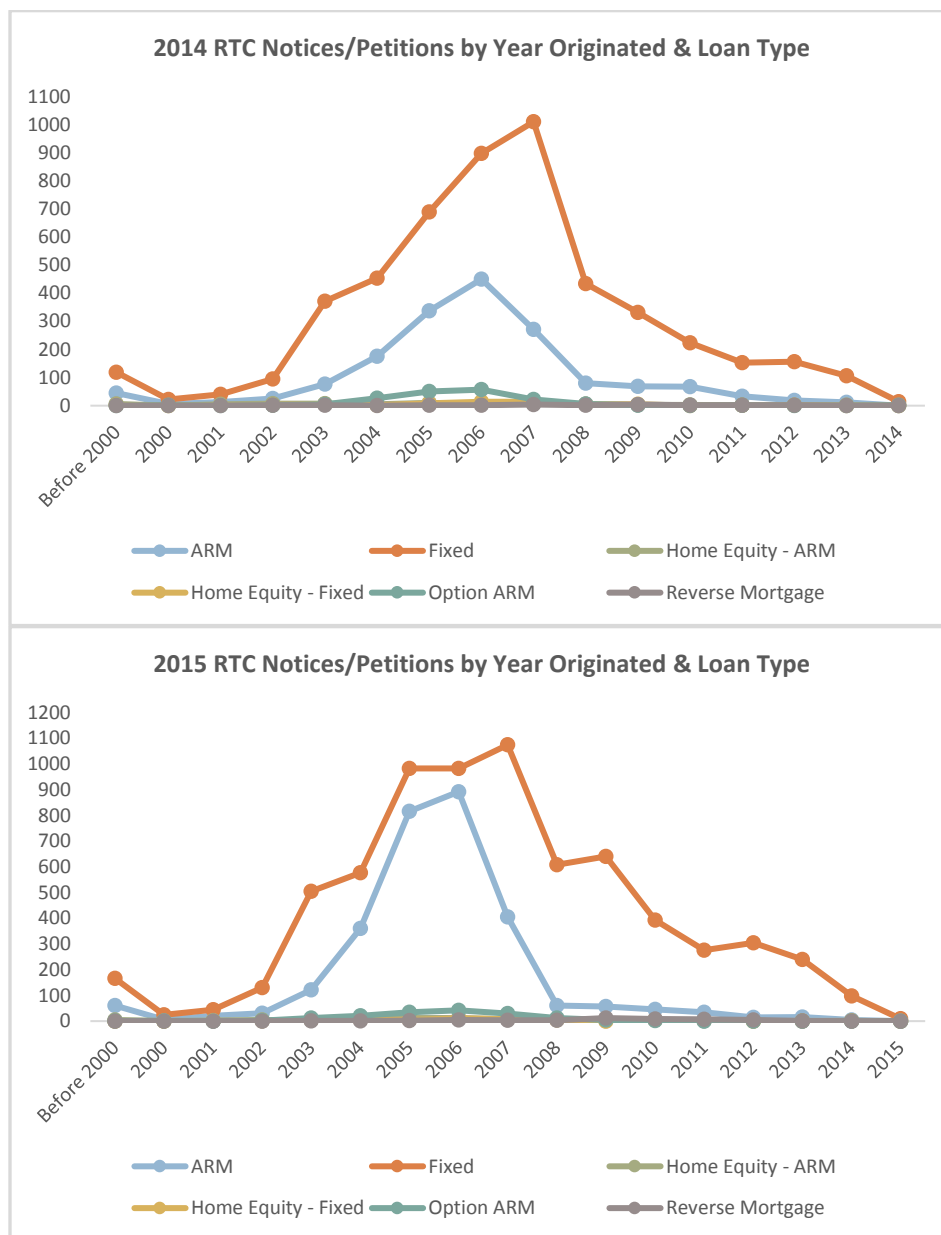
Loan Origination Year	No. of Notices in 2014	% of Total Notices in 2014	No. of Notices in 2015	% of Total Notices in 2015
Before 2000	171	2.40%	231	2.23%
2000	29	0.41%	33	0.32%
2001	59	0.83%	69	0.67%
2002	133	1.87%	168	1.62%
2003	467	6.56%	647	6.26%
2004	664	9.32%	979	9.47%
2005	1096	15.39%	1850	17.89%
2006	1427	20.04%	1945	18.81%
2007	1328	18.65%	1527	14.77%
2008	532	7.47%	696	6.73%
2009	414	5.81%	717	6.93%
2010	295	4.14%	458	4.43%
2011	193	2.71%	322	3.11%
2012	180	2.53%	325	3.14%
2013	119	1.67%	258	2.50%
2014	15	0.21%	105	1.02%
2015	----	----	9	0.09%
Total	7122		10339	

Of mortgage loans related to a RTC Notice in 2014, only 4% originated between 2012 and 2014. Consistent with 2014, only 4% of RTC notices in 2015 originated between 2013 and 2015. Loans originated during the sub-prime period, 2005 – 2007, accounted for 51% of the RTC Notices filed in 2015, a 38% increase by number of RTC Notices filed from 2014.

⁷ Figure 2 depicts the Top 15 Cities Represented in RTC Notices in 2014 & 2015, however 16 cities are listed on the chart due to a change in top cities, with Wareham dropping off the top list in 2015 and Lawrence taking its place.

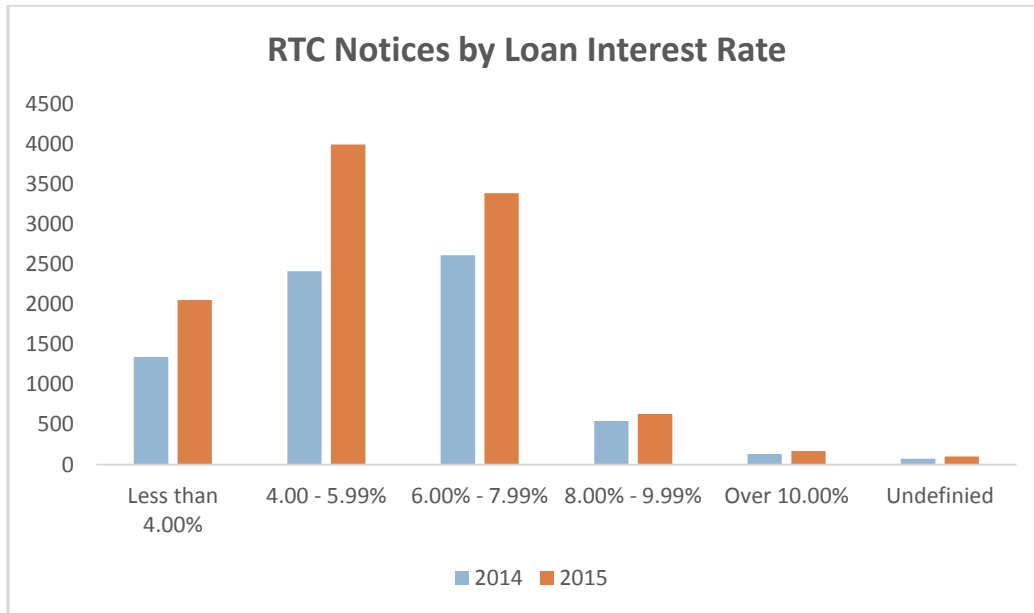
⁸ The RTC Notices filed in Boston include Boston and its neighborhoods: Allston, Brighton, Charlestown, Dorchester, East Boston, Hyde Park, Jamaica Plain, Mattapan, Roslindale, Roxbury, South Boston and West Roxbury.

FIGURES 3 & 4: RTC NOTICES BY YEARS OF LOAN ORIGINATION AND LOAN TYPE



As Figure 3 and 4 indicate, a majority of RTC Notices in both 2014 and 2015 were fixed rate mortgages, regardless of what year the loan originated. Specifically, 72% of RTC Notices in 2014 and 68% in 2015 were fixed rate mortgages. It is expected with the gradual increase in mortgage loan interest rates, originations and mortgage defaults will continue to involve fixed rate mortgage products. RTC Notices from 2003-2008 reflected the bulk of Adjustable Rate Mortgages (ARM). Overall, ARM loans comprised 24% of all RTC Notices in 2014 and 29% in 2015. All other loan types accounted for 5% of the total of RTC Notices sent in 2014 and 3% in 2015.

FIGURE 5: RTC NOTICES BY LOAN INTEREST RATE



The majority of reported RTC Notices, 71%, were linked to mortgage loans with interest rates between 4.00% and 7.99% in both 2014 and 2015. RTC Notices associated with interest rates lower than 6.00% stayed consistent, making up 53% of total RTC Notices in 2014 and 58% in 2015. However, those mortgages with rates exceeding 6.00% continue to comprise a large part of all RTC Notices sent in 2015.

TABLE 3: RTC NOTICES BY DELINQUENCY DAYS

Delinquency Length	No. of Notices in 2014	% of Total Notices in 2014	No. of Notices in 2015	% of Total Notices in 2015
Less than 60 Days	59	0.83%	66	0.64%
61 – 120 Days	1106	15.53%	1165	11.27%
120 – 149 Days	5095	71.54%	8104	78.38%
150 – 199 Days	560	7.86%	629	6.08%
Over 200 Days	302	4.24%	375	3.63%
Total	7122	100%	10339	100%

In both 2014 and 2015, over 85% of mortgage loans were delinquent between 2 and 5 months (61 – 149 days). Table 4 depicts the large majority of servicers sending the RTC Notice during the ‘120 – 149 days’ delinquency period.

FIGURE 6: NUMBER OF DAYS BETWEEN RTC NOTICE DATE & FORECLOSURE PETITION FILING

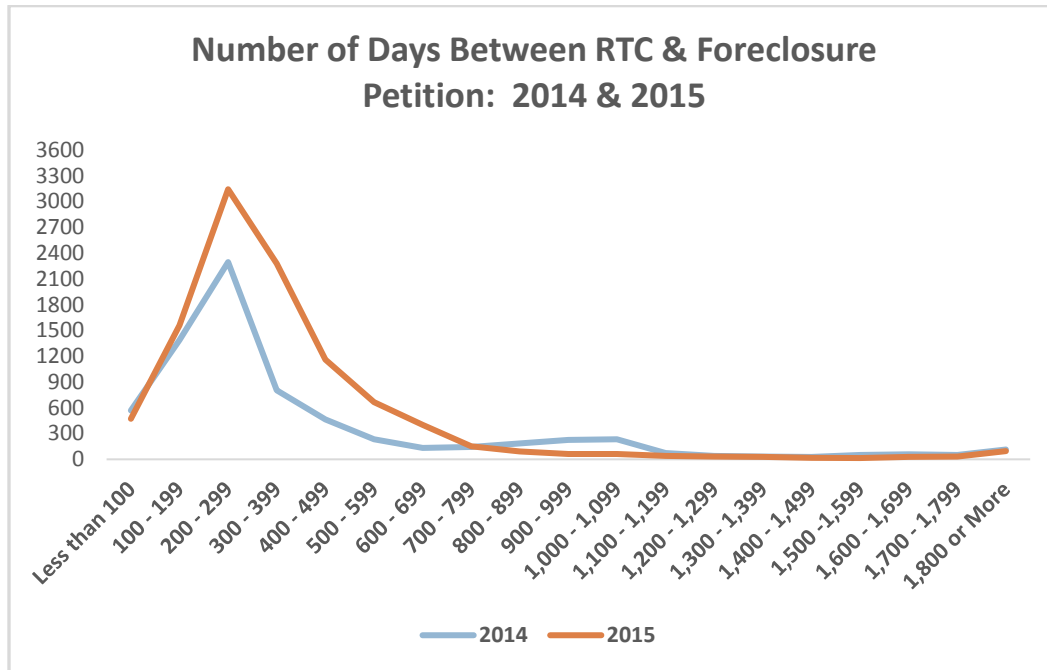


TABLE 4: RTC NOTICE TO FORECLOSURE PETITION FILE DATE IN DAYS

2014 RTC to Petition (Days)	No. of Notices in 2014	% of Total Petitions in 2014	2015 RTC to Petition (Days)	No. of Notices in 2015	% of Total Notices in 2015
Less than 100	567	7.96%	Less than 100	472	4.57%
100 – 199	1,387	19.47%	100 – 199	1,560	15.09%
200 – 299	2,296	32.24%	200 – 299	3,144	30.41%
300 – 399	804	11.29%	300 – 399	2,279	22.04%
400 – 499	464	6.52%	400 – 499	1,160	11.22%
500 – 599	232	3.26%	500 – 599	666	6.44%
600 – 699	133	2.04%	600 – 699	401	3.88%
700 – 799	145	2.04%	700 – 799	151	1.46%
800 – 899	185	2.60%	800 – 899	90	0.87%
900 – 999	226	3.17%	900 – 999	63	0.61%
1,000 – 1,099	235	3.30%	1,000 – 1,099	63	0.61%
1,100 – 1,199	73	1.02%	1,100 – 1,199	39	0.38%
1,200 – 1,299	40	0.56%	1,200 – 1,299	33	0.32%
1,300 – 1,399	32	0.45%	1,300 – 1,399	27	0.26%
1,400 – 1,499	28	0.39%	1,400 – 1,499	19	0.18%
1,500 – 1,599	52	0.73%	1,500 – 1,599	15	0.15%
1,600 – 1,699	57	0.80%	1,600 – 1,699	28	0.27%
1,700 – 1,799	50	0.70%	1,700 – 1,799	33	0.32%
1,800 or more	116	1.63%	1,800 or more	96	0.93%

Figure 6 and Table 4 depict the time between submissions of RTC Notices and Foreclosure Petitions. It should be noted more Foreclosure Petitions were filed in 2015 than in 2014 (10,339 versus 7,122). In 2014, 63% of Foreclosure Petitions were filed between 100 and 400 days after the RTC Notice, compared to 68% in 2015 during the same time period. Approximately 50% of Foreclosure Petitions were filed between 200 – 400 days after the RTC Notice filing in both 2014 and 2015.

FIGURE 7: FORECLOSURE SALES BY COUNTY

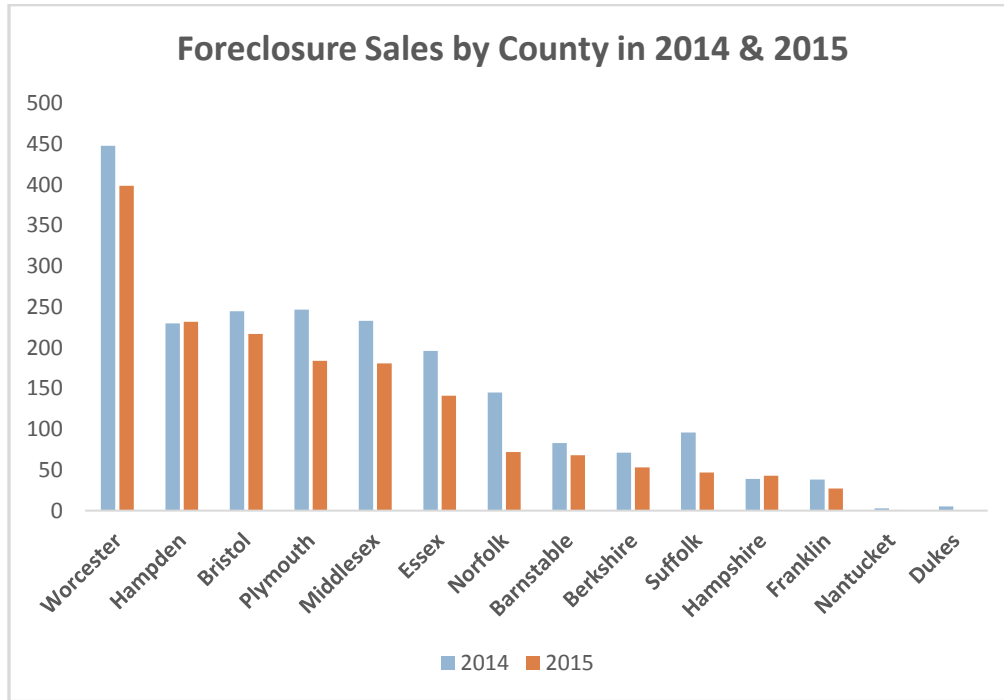


TABLE 5: FORECLOSURE SALES BY COUNTY

County	No. of Foreclosure Sales in 2015	Foreclosure Sales per 10,000 Residents ⁹	% Change 2014	% Change 2013
Worcester	399	5.00	-24.33%	47.78%
Hampden	232	5.01	0.87%	79.84%
Bristol	217	3.96	-11.43%	64.39%
Plymouth	184	3.72	-25.51%	50.82%
Middlesex	181	1.20	-28.73%	29.29%
Essex	141	1.90	-39.01%	3.68%
Norfolk	72	1.07	-50.34%	-7.69%
Barnstable	68	3.15	-18.07%	-11.62%
Berkshire	53	4.04	-25.35%	15.22%
Suffolk	47	0.65	-51.04%	6.82%
Hampshire	43	2.72	10.26%	53.57%
Franklin	27	3.78	-28.95%	58.82%
Nantucket	1	0.98	-66.67%	-50.00%
Dukes	0	0.00	-100.00%	-100.00%
Total	1665	37.18		

Table 5 and Figure 7 indicate the largest concentration of foreclosure sales have occurred in Worcester County, 24% in 2015 and 22% in 2014. However, the number of foreclosure sales in Worcester County has fluctuated over the years with a 24% decrease from 2014; a 48% increase from 2013. Statewide there was a 20% decrease in foreclosure sale activity overall from 2014.

⁹ Residential data is based on the 2010 United States Census information.